CITY HEIGHTS REDEVELOPMENT PROJECT

HOME IN THE HEIGHTS HOMEBUYER ASSISTANCE PROGRAM

PROGRAM GUIDELINES

<u>PROGRAM DESCRIPTION AND GOALS</u>:

In an effort to make home ownership more accessible and affordable to families, the Redevelopment Agency of the City of San Diego [Agency] has established the "Home in the Heights Homebuyer Assistance Program" [Program]. The Program allows for financial assistance to be provided by the Agency to eligible first-time homebuyers for the purpose of enabling these homebuyers to purchase and occupy homes within the City Heights Redevelopment Project Area and the City Heights Community Planning Area [Project and Planning Area], as defined in the map of the "Project and Planning Area" attached hereto as Exhibit "A" and incorporated herein by this reference.

The financial assistance consists of a loan from the Agency evidenced by a promissory note and secured by a deed of trust that will be second in priority, subordinate only to a lending institution's first trust deed loan. The Agency's loan and accrued interest will be forgiven in its entirety over a twenty (20) year period upon the homebuyer's compliance with the terms and conditions of the loan.

Increased homeowner occupancy has been identified as an important factor for improving neighborhood stability, encouraging private investment and improving the local housing stock. The homeowner occupancy rate within the Project and Planning Area is substantially below the average rate for the San Diego region. In order to address the needs of the community, the City Heights Redevelopment Plan and the City Heights Redevelopment Project Third Five-Year Implementation Plan include goals of encouraging a larger degree of homeowner occupancy within the Project and Planning Area, stabilizing declining neighborhoods, improving the existing housing stock and assisting low and moderate income families obtain affordable housing. The Program is a mechanism to implement and achieve these goals. Further, the Program provides for education to the first-time homebuyer participants on the financial responsibilities and considerations of home ownership and economic stability.

<u>METHOD OF ASSISTANCE</u>:

The Agency's financial assistance to Program participants is in the form of a subordinate loan (silent second mortgage) evidenced by a promissory note and secured by a deed of trust recorded against the subject property. The Agency loan will be a lien on the property second in priority and subordinate only to a lending institution's promissory note and deed of trust first in priority. The Agency's loan and accrued interest will be forgiven over a twenty (20) year period provided that the participant maintains and occupies the property as his/her principal place of residence, does not sell or transfer the subject property, and does not refinance any mortgage debt on the property without the permission of the Agency.

ELIGIBILITY REQUIREMENTS FOR PARTICIPANTS:

The Program is open to all first-time homebuyers seeking to reside within the Project and Planning Area who meet the eligibility requirements. A first-time homebuyer shall mean any person who is a purchaser, including any co-purchaser, of an owner-occupied housing unit who does not own any real property and who neither has, nor has had, any ownership interest in a principal residence at any time during the three (3) year period immediately prior to the date on which the Agency mortgage for the Program is executed.

Priority will be given to any residents who are displaced by redevelopment projects within the Project Area. It is intended that assistance from this Program supplement any relocation payments made by the Agency. Therefore, recipients of relocation assistance payments may devote their monies toward a down payment for a home purchase within the Project and Planning Area.

Owner occupancy is a condition of eligibility for the Program benefits. Co-borrowers or co-owners, other than owner occupants, are not permitted.

A participant's gross household income may not exceed one hundred percent (100%) of the area median family income for San Diego County as annually estimated by the U.S. Department of Housing and Urban Development and published by the California Department of Housing and Community Development. [See, California Health & Safety Code §50093(c)] "Gross household income" shall mean the combined anticipated or projected gross income for the next twelve (12) month period as annual income of all members of a household. Participants are required to provide all pertinent information requested by the Agency and the first trust deed lender to establish household income.

Participants are required to participate in home ownership classes to ensure their readiness to take on the responsibilities of mortgage debt service and home ownership.

ELIGIBILITY REQUIREMENTS FOR PROPERTIES:

A home for purposes of this Program means any new or resale single-family residence, attached or unattached home, condominium unit, or townhouse located within the Project and Planning Area. There is no minimum household size.

The "Affordable Housing Cost" for an eligible property shall not be less than twenty eight percent (28%) of the gross household income and shall not exceed thirty-five percent (35%) times 110 percent of area median income adjusted for family size appropriate for the unit. [California Health & Safety Code §33411.2 and §50052.5(b)(4)]

Subject to any pertinent federal statutes applicable to other homebuyer assistance program benefit payments to a participant, "adjusted for family size appropriate for the unit" shall mean for a household of one person in the case of a studio unit, two persons in the case of a one-bedroom unit, three persons in the case of a two-bedroom unit, four persons in the case of a three-bedroom unit, and five persons in the case of a four-bedroom unit. [California Health & Safety Code §50052.5(h)]

"Housing cost" includes the following: principal and interest on a mortgage, property taxes and assessments, fire and casualty insurance, reasonable allowance for property maintenance and repairs, reasonable allowance for utilities (excluding telephone service), and if applicable mortgage insurance and homeowner association fees. [Title 25, California Code of Regulations §6920]

DOWN PAYMENT:

The participant is required to provide a minimum down payment of three percent (3%) of the total purchase price for the home and to pay all closing costs.

AGENCY LOAN AMOUNT:

The Agency loan will be in an amount as determined by the Agency Executive Director or his/her designee and will be a minimum of five thousand dollars ($5,000) to a maximum of thirty thousand dollars ($30,000).

In no event may the Agency loan amount exceed thirty percent (30%) of the total purchase price of the home. In addition, the amount of the Agency loan shall not exceed that amount necessary to make an eligible property affordable to the particular household after first applying the equivalent of all of the participant's relocation assistance payments, if any, as a down payment on the property and combining any other homebuyer assistance program benefit payments. Affordability is defined as not requiring the participant to pay more than thirty percent (30%) of the gross household income for housing costs.

Other homebuyer assistance programs referenced above include, but are not limited to, programs offered by the Community Housing Works' HOOP Program, the San Diego Housing Commission and Price Charities.

AGENCY LOAN TERMS:

The Program benefits and financial assistance are available on a first-come, first-served basis and subject to availability.

Participants shall provide the Agency with an executed purchase contract, an appraisal of the subject property and pre-approval from a participating first trust deed lender.

Except as otherwise authorized herein, in no event shall the first trust deed loan exceed a loan-to-value ratio of eighty percent (80%) and in no event shall the Agency loan, together with the first trust deed loan, exceed a loan-to-value ratio of ninety percent (90%). Notwithstanding the above, in such case where a Participant is unable to obtain additional financing from other assistance programs after making a reasonably good faith effort to do so and where the Participant provides to the Agency Executive Director or his/her designee such proof of the Participant's good faith effort to obtain additional financing as is reasonably required by the Agency Executive Director or his/her designee, the Agency Executive Director or his/her designee may allow, in his/her sole discretion and upon satisfaction of such proof, that the Agency loan, together with the first trust deed loan, shall not exceed a loan-to-value ratio of ninety-seven percent (97%).

The Agency loan is not assumable.

If the amount of the Agency loan needed to attain affordability is less than five thousand dollars ($5,000), the remainder shall be used for rehabilitation purposes. No Agency loan funds may be used to improve a property so that the property would conform to the physical standards required as a condition of receipt of the relocation assistance payments. Additionally, no Agency loan funds may be used in any way, directly or indirectly, toward the cost of luxury improvements, such as a spa, or for items of personal property, such as a refrigerator.

As long as the participant maintains and occupies the property as his/her principal place of residence and does not refinance any mortgage debt on the property without the permission of the Agency, no monthly payments on the Agency loan will be due and payable to the Agency. However, annual simple interest of six percent (6%) shall accrue on the principal amount of the Agency loan and shall commence accruing on the date on which the Agency mortgage for this Program is executed. After seventy-two (72) months from said date, the amount of total interest accruing on the Agency loan will decrease fourteen and three tenths percent (14.3%) per year, so that after one hundred fifty-six (156) months from the date on which the Agency mortgage for this Program is executed, the entire interest will be forgiven. After ten (10) years from the date on which the Agency mortgage for this Program is executed, the principal balance on the Agency loan shall decrease at a rate of ten percent (10%) per year so that, after twenty (20) years from the date on which the Agency mortgage for this Program is executed, the entire principal of the Agency loan is forgiven.

At any time prior to the forgiveness of the entire Agency loan principal and all accrued interest, the Agency loan principal and all accrued interest shall be immediately due and payable to the Agency upon the occurrence of any one of the following events, as determined in the sole discretion of the Agency Executive Director or his/her designee: (1) the sale or transfer of the subject property, except with Agency approval in the circumstance described below; (2) the vacation or abandonment of the subject property by the participant, or any co-participant; (3) the participant, or any co-participant, no longer occupies the subject property as his/her principal residence; (4) an uncured default by participant on the first trust deed loan or any other senior or junior lien or encumbrance on the subject property; or (5) any mortgage secured by the property is refinanced and results in an increase in the total original loan amount, except with Agency approval in the circumstance described below. The original loan amount is defined as the cumulative amount of the first trust deed loan, the Agency loan, and any payments made pursuant to any other home buyer assistance program.

The Agency loan principal and any accrued interest will be immediately due and payable upon the sale of the property unless the participant purchases another home located in the Project and Planning Area, uses the new home as his/her principal residence, and the transaction is approved by the Agency Executive Director or his/her designee. In such a case, the outstanding Agency loan principal balance and accrued interest shall be carried over to and secured by the new property.

When a refinance of a mortgage loan increases the original loan amount, the Agency loan principal and any accrued interest will be immediately due and payable unless the refinance is first approved by the Agency Executive Director or his/her designee. A refinance may be approved by the Agency Executive or his/her designee if the increased mortgage resulting from the refinance is used solely to rehabilitate the subject home and no portion of the increased mortgage is used in any way, directly or indirectly, toward the cost of luxury improvements, such as a spa, or for items of personal property, such as a refrigerator. In no event shall the first trust deed loan exceed a loan-to-value ratio of eighty percent (80%) and in no event shall the Agency loan, together with the first trust deed loan, exceed a loan-to-value ratio of ninety percent (90%). However, if the Agency Executive Director or his/her designee approved in writing at the time of the initial purchase that the Agency loan, together with the first trust deed loan, shall not exceed a loan-to-value ratio of ninety-seven percent (97%), then upon a refinance, the Agency loan, together with the first trust deed loan, shall not exceed a loan-to-value ratio of ninety-seven percent (97%). Further, in no event shall the Agency's proportional share of the total encumbrances to the fair market value of the property increase as a result of any refinancing or partial refinancing.

The first trust deed loan made to the participant shall be a fixed interest rate loan for a thirty (30) year term and under the most favorable terms available. Temporary buy-downs of an interest rate are prohibited. Property taxes and homeowner insurance premiums must be impounded and incorporated in the monthly payments on the first trust deed loan. Prior to any funding by the Agency, all properties must be inspected for termites and related damage by an approved inspector. In addition, prior to any funding by the Agency, a valid and effective termite clearance must be obtained and submitted to the Agency. Further, prior to any funding by the Agency, each subject property must be inspected by an approved licensed residential property inspector. The Program participant shall meet with the Agency or the Agency's designated agent to discuss the inspection report. The Agency or designated agent may advise the participant on any recommended improvements or repairs described in the report.

The participant must obtain and submit to the Agency a valid and effective one year home protection policy applicable to the subject property.

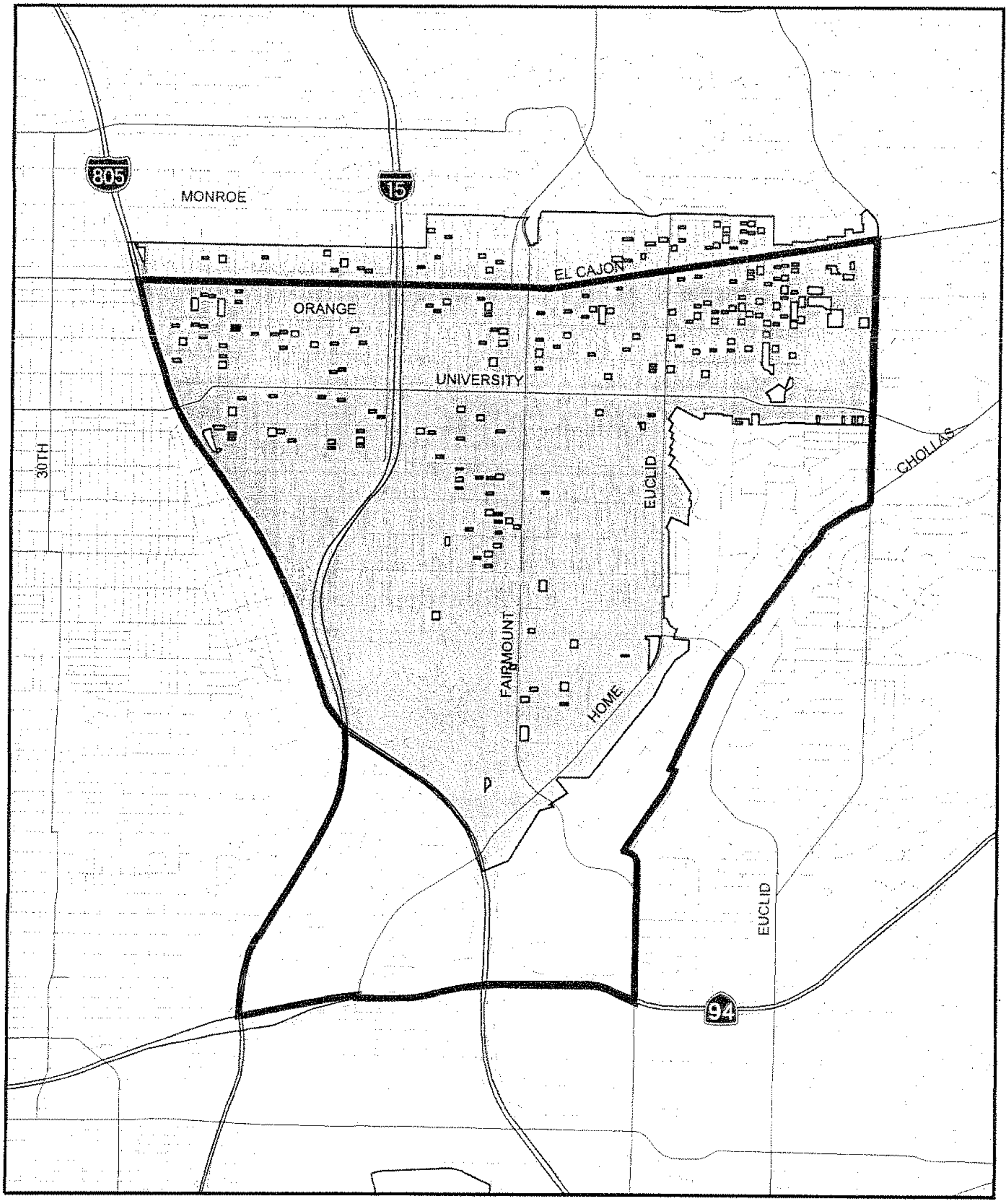
The participant shall submit to the Agency an annual re-certification assuring that the home continues to be owned and occupied by the participant and any co-participant.

Each participant shall cooperate with the Agency and/or the Agency's designated agent to monitor and ensure the participant's compliance with the Program Guidelines and all applicable laws and regulations. Such cooperation may include, but not be limited to, allowing for inspections of the subject property upon reasonable notice by the Agency or the Agency's designated agent and providing accurate copies of documents or other information requested by the Agency or the Agency's designated agent.

Home in the Heights Program Guidelines

Exhibit "A"
Map

CITY HEIGHTS



City of San Diego
City Planning &
Community Investment

Legend

City Heights Redevelopment Area

City Heights Community Planning Area

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CityHtsredevandcommplan.mxd
Plot Date: 01/23/08